



**China Yuchai International Ltd.**

**[NYSE: CYD]**

**ISI Conference**

**New York**

**March 1<sup>st</sup>, 2016**

# Safe Harbor Statement

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe,” “expect,” “anticipate,” “project,” “targets,” “optimistic,” “intend,” “aim,” “will” or similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact are statements that may be deemed forward-looking statements.

These forward-looking statements are based on current expectations or beliefs, including, but not limited to, statements concerning the Company’s operations, financial performance and condition. The Company cautions that these statements by their nature involve risks and uncertainties, and actual results may differ materially depending on a variety of important factors, including those discussed in the Company’s reports filed with the Securities and Exchange Commission from time to time.

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The financial information presented herein for the financial year ended 31 December 2014 is audited and 2015 financial information is unaudited.



# China Yuchai International Ltd.



## Truck and Bus engines applications



## Off road and Agriculture applications

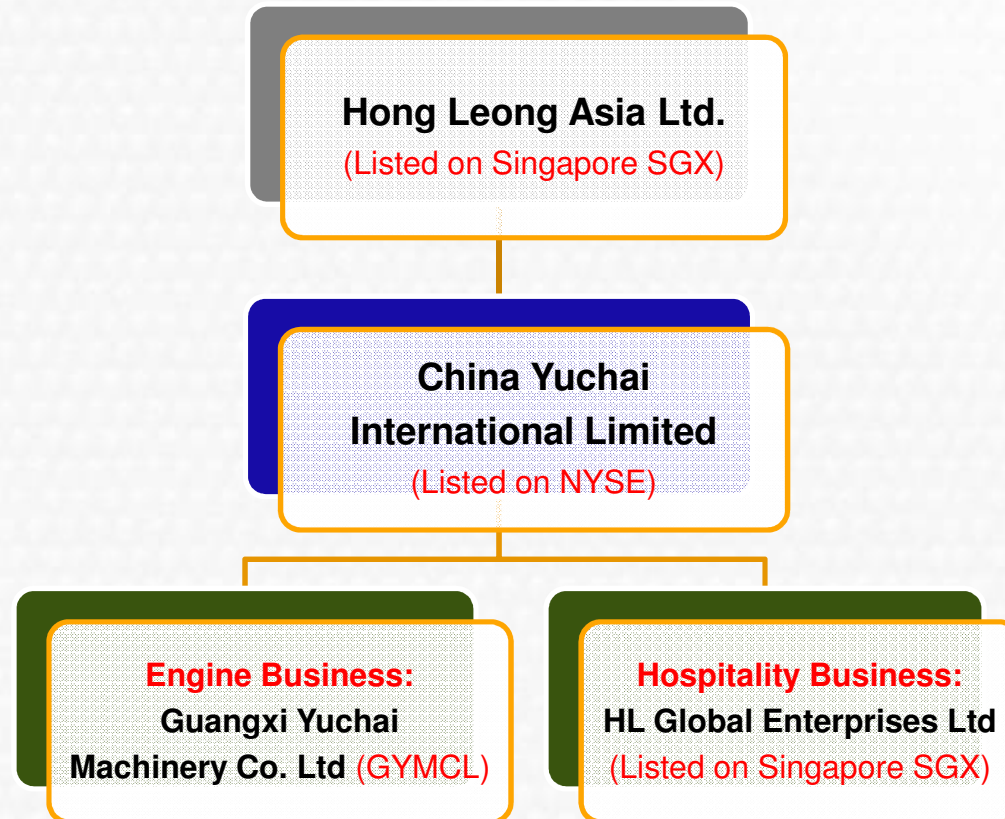


## Marine engines applications





# Company Structure



# Corporate Summary

- **GYMCL was founded in 1951**
- **Leading manufacturer of a wide array of light-duty, medium-duty and heavy-duty engines for various applications**
- **One of the top engine suppliers in annual unit sales as ranked by the China Association of Automobile Manufacturers**
- **Operates the largest single facility for the production of commercial automotive engines in China**
- **Main production base is in Yulin, Guangxi province. Capacity of 500,000 units per annum**
- **World-class R&D program with large patent portfolio**
- **Close to 2,700 services stations and 33 regional sales offices throughout China\***

\* As of 31 Dec 2015



# 2015 Market Review



## Market Statistics

1. **China recorded slower GDP growth for 2015 at 6.9%, down from 7.4% in 2014, being the slowest annual growth since 1990**
2. **China recorded weak PMI through the year of 2015**
3. **2015 China commercial vehicles (Diesel and others) unit sales statistics according to China Automobile Association of Manufacturers**
  - Industry declined by -11.8% (Diesel and Others including Electric Vehicles EV)
  - Industry declined by -14.4%# (Diesel and Others excluding EV)
  - Truck Market – Declined for HD (-26.0%) and MD (-21.0%) segments
  - Bus Market – Declined for HD (-25.5%) and MD (-19.8) segments

## Market review – On road

1. **Truck segment was heavily affected by a relatively weak China economy, even though the adverse effect from implementation of the Nat 4 emission standards was diminishing**
2. **Bus segment has recorded a slight growth in 2015 but the sharp increase in Full Electric Bus (total 86.8k units, 5 times from 2014 level) has resulted in a significant impact to the traditional vehicle engine manufacturers**
3. **Natural gas engine sales were affected by lower petrol prices in 2015**

## Market review – Off road

1. **Agriculture application engines sales have recorded a sharp decline since last quarter due to termination of T2 engine sales for off-road application**
2. **Construction application engines remained weak due to lack of infrastructure investments, current property market sentiment and transition from T-2 to T-3 emission standard**

# China Economic Outlook

## China Economic Outlook

1. GDP annual growth rate is expected to continue slowing to approximately 6.5%
  - Real estate sales and investment show signs of sluggishness
  - Slowing capital investment
2. Central Bank cut interest rates and reduced banks' reserve requirements to maintain growth stability
3. Continued transition of economy towards domestic consumption
4. New government stimulus should slowly improve economic growth and demand in commercial vehicle market

## China Engine Industry Outlook – On road

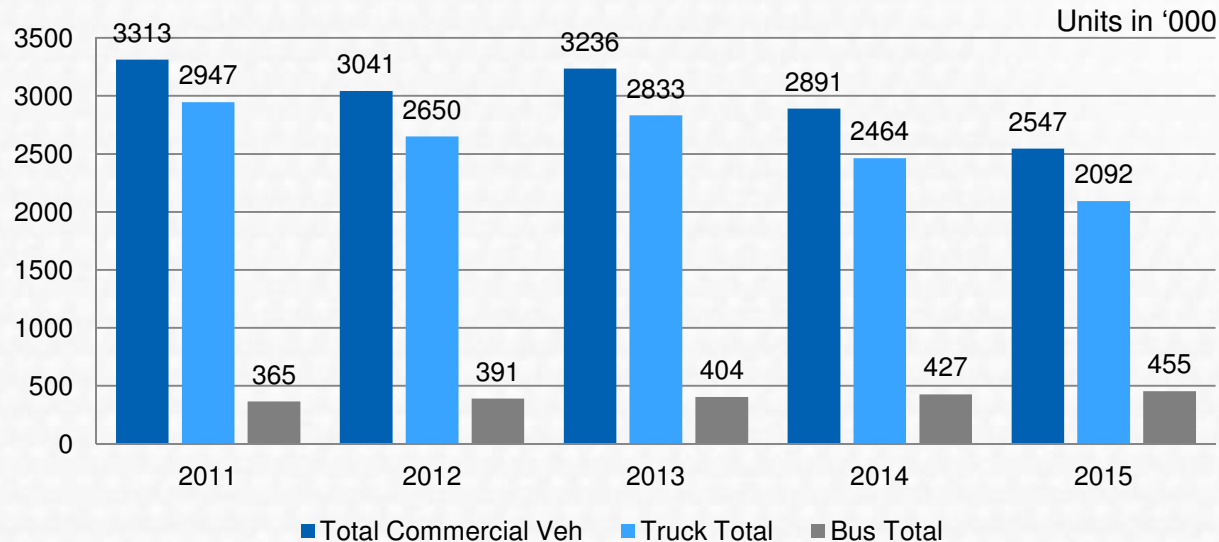
1. Truck market will continue to weaken in the first half of 2016 with expectations to become stable in the latter half of 2016 with the commencement of Government approved projects
2. Bus market will remain flat, moderate growth in public transit segment is expected to offset a decline in highway coach market as a result of inter-city high-speed rails
3. Natural gas engine market is affected due to reduction of diesel fuel price

## China Engine Industry Outlook – Off road

1. Agricultural machinery engine segment demand is expected to decline in 2016 due to a delay in implementation of the China T3 regulation (Dec 1<sup>st</sup>, 2016)
2. Construction segment will remain weak as macroeconomic climate is still under pressure in China

# Market Overview: Commercial Vehicles

## China Commercial Vehicle Sales



Source: China  
Automotive  
Industry  
Newsletter

(Powered by Diesel and Others)

### China Truck Market Drivers

- China's economic growth
- Infrastructure projects
- Urbanization / logistics networks
- Stringent emission standards

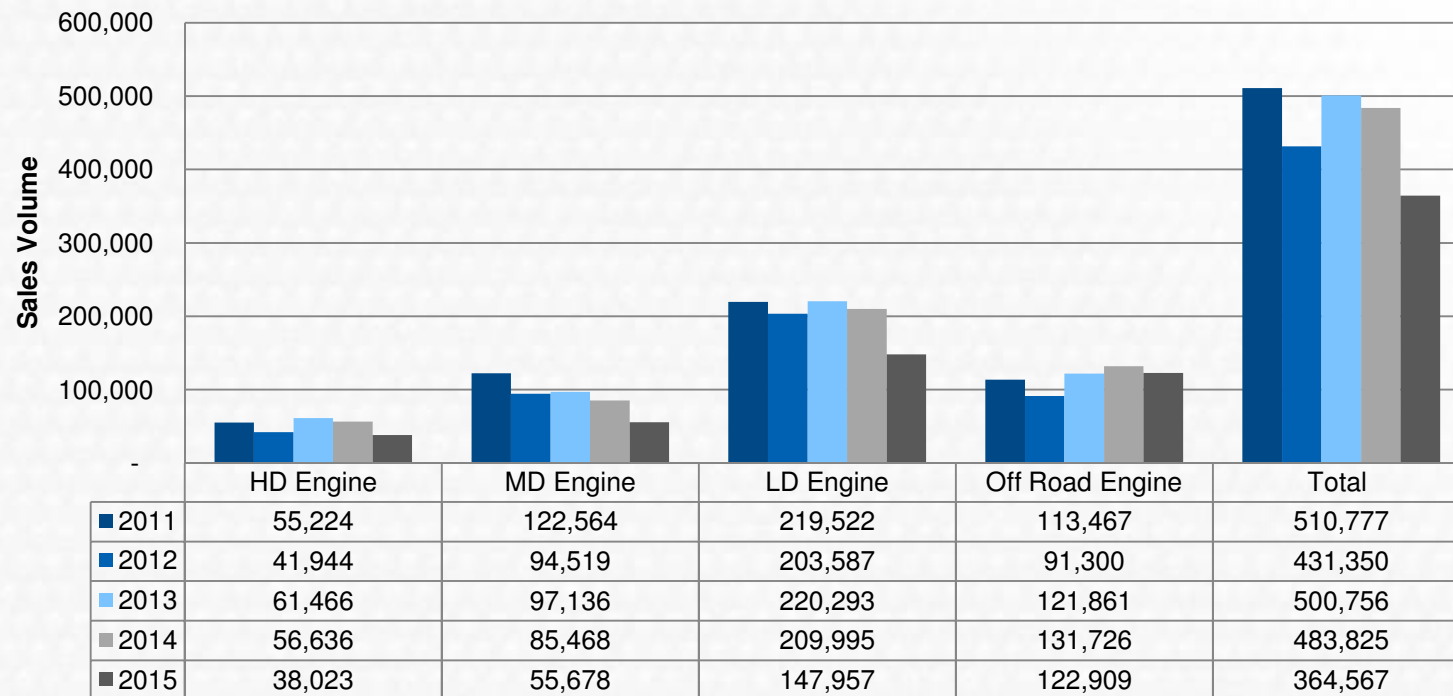
### China Bus Market Drivers

- Rapid expansion into rural areas
- Inter-city transportation
- Booming tourism
- Continued urbanization





# China Yuchai Unit Sales: 2011-2015



## Sales from 2011 to 2015

- National 4 Emission Standards implemented on 1<sup>st</sup> July 2013, but enforced gradually nationwide from 1<sup>st</sup> July 2013 to 31<sup>st</sup> December 2014
- China T3 Emission Standards will be fully implemented in April 2016, but sales restrictions of T2 engines have been enforced since Oct 2015

# Moving Forward

## 1. Maximize shareholders' value

## 2. Product Strategy

- Ensure all products meet current stringent emission standards and develop engines compliant with future emission standards
- Expand new nat gas engines to capture gas application demand
- Expand HD products into marine, power gen and construction markets
- 14 new engine models meeting the latest emission standards were launched in 2015 and 2016

## 3. Business Strategy

- Grow new markets with new products such as High Horsepower engines for marine and power generation segments
- Nurture strategic alliances with OEM customers
- Grow international business
- Implement cost reductions through Lean Six Sigma manufacturing
- Explore launching more JV products to sustain future growth

## Emission Regulation in China

### ■ On road – Nat 5 implementation

- Jan 1<sup>st</sup> 2017 – HD diesel vehicles (coaches, PT buses, environmental and mail service vehicle)
- July 1<sup>st</sup> 2017 – all HD diesel vehicles
- Jan 1<sup>st</sup> 2018 – all diesel vehicles

### ■ Off road – T3 implementation

- Apr 1<sup>st</sup> 2016 – all off-road machinery except agricultural machinery
- Dec 1<sup>st</sup> 2016 – all off-road machinery



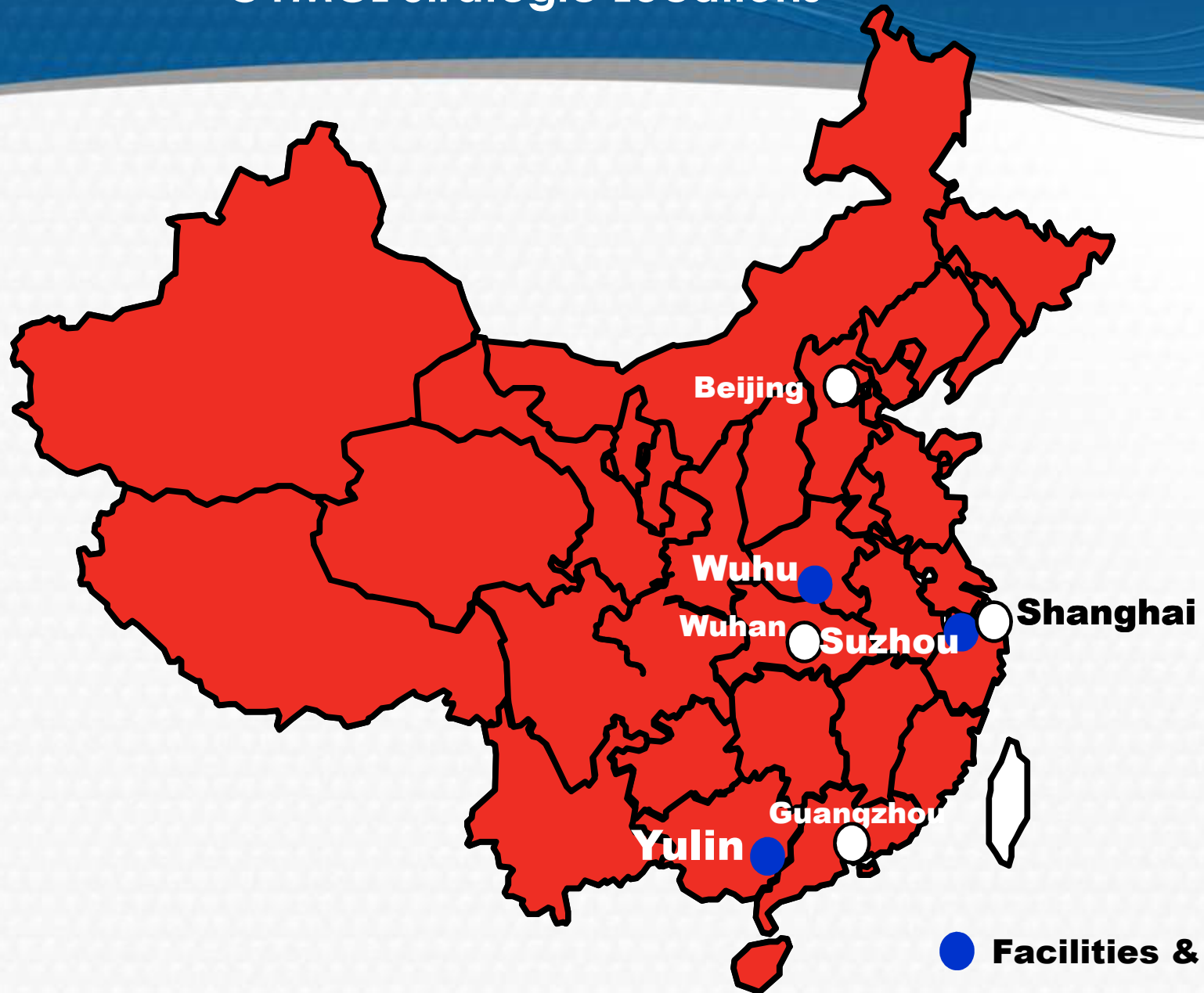
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**Operational Overview**



# GYMCL Strategic Locations





# Yulin Facility



## Engine Plant No. 5 - HD Engine Assembly Line

- **Yulin facility is the primary manufacturing facility**
- **Independent R&D facilities for engine development and testing**
- **Production of diesel and natural gas engines**
- **Production of high horsepower engines for off-road applications**
- **In-house machining plants for all major engine components**



# New Foundry



**New Foundry Phase 1**



**Phase 2 Molding Line**

- **New Foundry Phase 1 and 2 are in full operation for the casting of engine blocks and heads for all engine models**
- **Large Casting Foundry is fully operational since early 2015, mainly producing the casting for HHP engines**
- **Total annual capacity over 1 million engine cylinder blocks and/or heads**
- **One of the largest foundry and engine casting facilities in China**

# High Horsepower Engine Plant



**Engine Assembly Line**

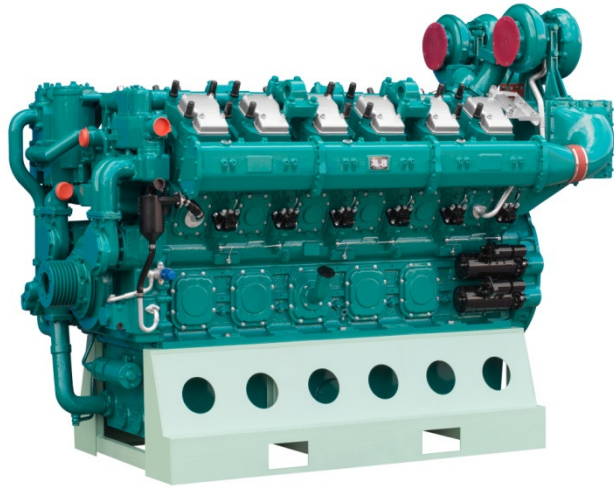


**Gantry CNC milling center**

- **Designed for HHP engine (16 liter and above) machining and assembly**
- **HHP engines are mainly used for marine and power generation applications**
- **Installation of Gantry CNC milling centers for cylinder block and head machining**
- **New assembly line with robots and other automated processes ensure top quality standards**
- **Individual automated engine painting line**
- **Individual engine testing stands for comprehensive performance tests**



## Capacity Expansion HHP Marine and Power Gen Engines



**YC12VC**



**YC6C**



**YC6T**

- **YC6T - 16L with 350 - 550 bps power rating, available for IMO and T2 standard (T3 by mid-2016)**
- **YC6C/6CL – 40-54L with 600 - 1200 bps power rating, available for IMO and T2 standard (T3 by mid-2016)**
- **YC12VT – 12 cylinders, 33L, rated at 538-645KW, prototype developed**
- **YC12VC – 12 cylinders, 80L, rated at 1400-1650KW, available at present**



## Wuhu Y&C Power (Chery Trucks)



**Engine Assembly Line**



**Machining Center**

- Latest designed YC6K engines comply with China National 4 and 5 emission standards
- Production line and machining line are fully commissioned
- Existing capacity for 30,000 units per annum (single shift operation)
- Gas version YC6K engine is available for both on-road and off-road applications
- Started commercial production for CIMC-Chery Container trucks



# MTU Yuchai Power Company Ltd.



## Our JV partner MTU

- ❑ A diesel engine manufacturer specialized in high-speed, large-rating diesel engine for power generation, oil & gas, railway, marine and mining applications
- ❑ MTU is a wholly owned subsidiary of Rolls-Royce Power Systems

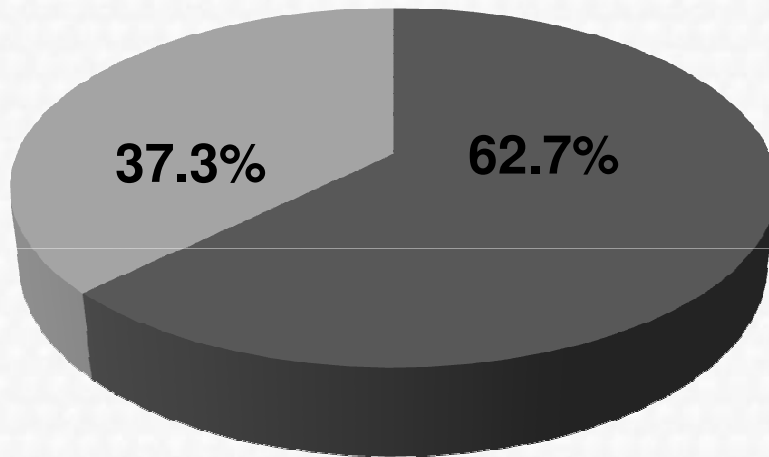
## The Joint Venture

- ❑ The Joint Venture ownership of 50:50 between MTU and GYMCL
- ❑ Main manufacturing site will be located in Yulin within present GYMCL facilities
- ❑ Target to start engine production by mid-2017
- ❑ Total investment of RMB150M in phase 1

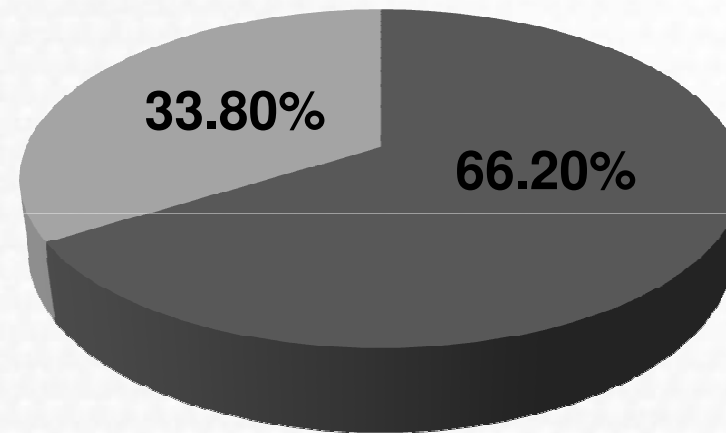


# Sales Mix

2014 Full Year



2015 Full Year

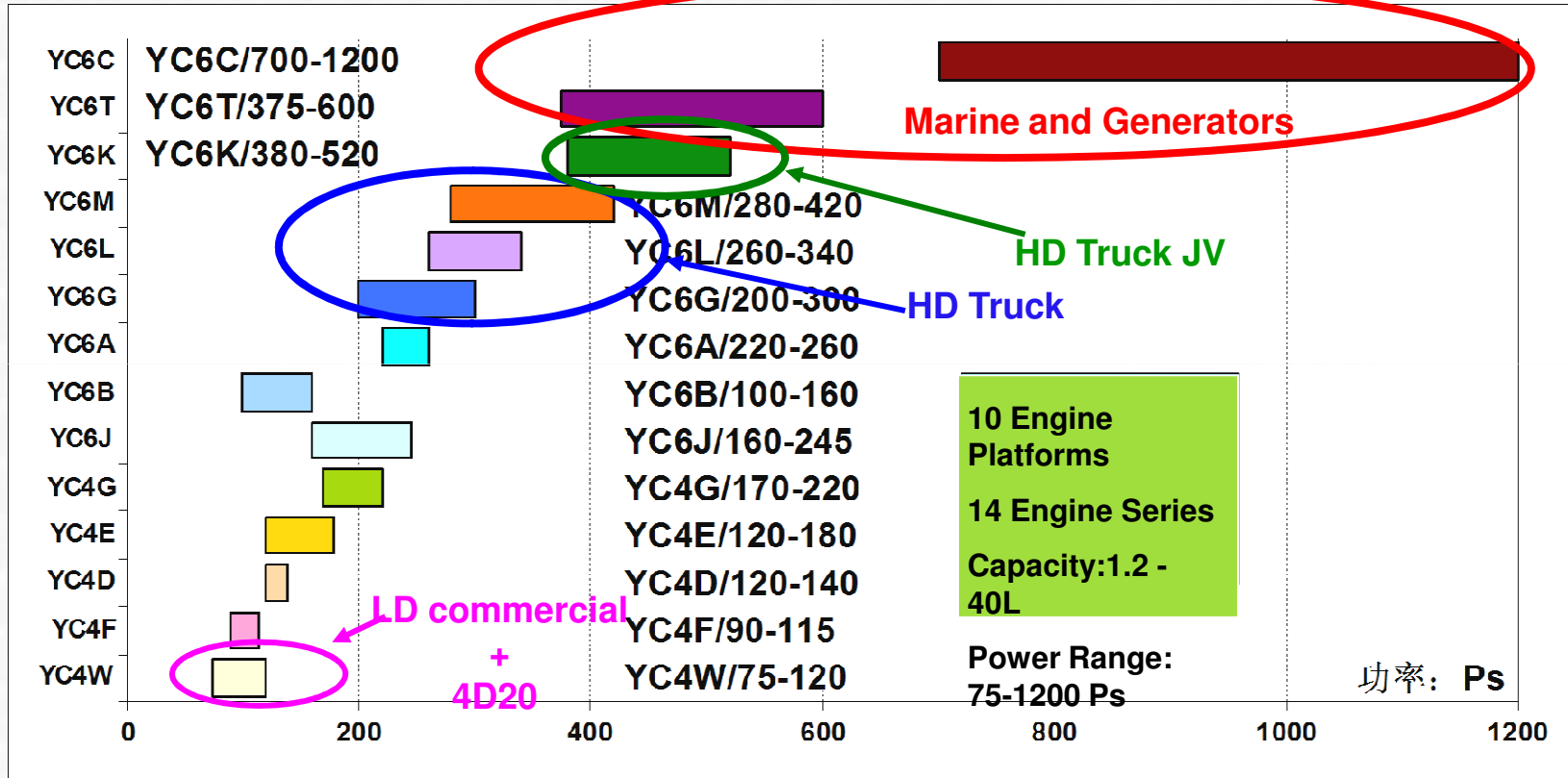


■ 6 Cylinder Engine

■ 4 Cylinder Engine

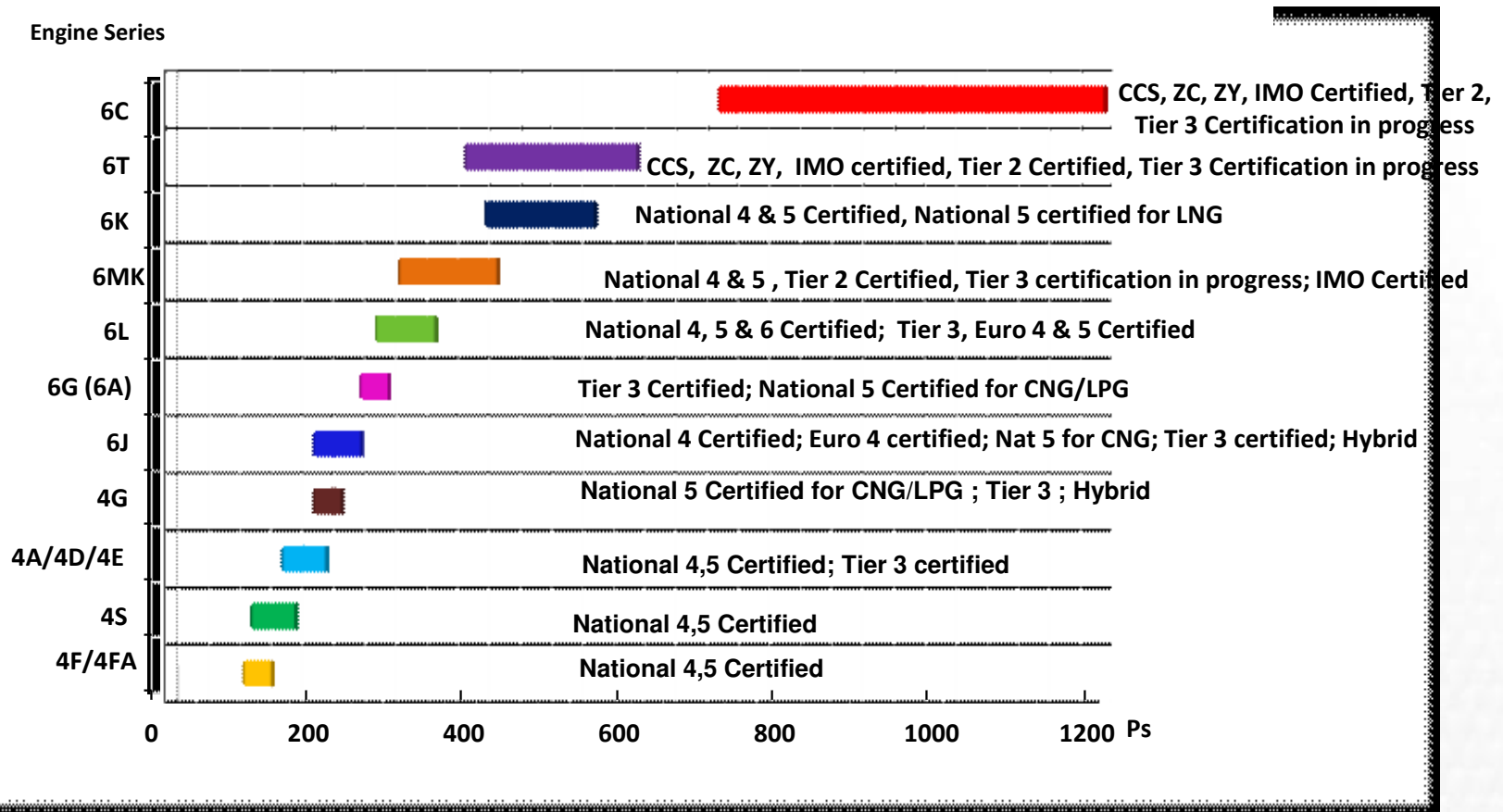


# Products





# Meeting Stringent Emissions Standards



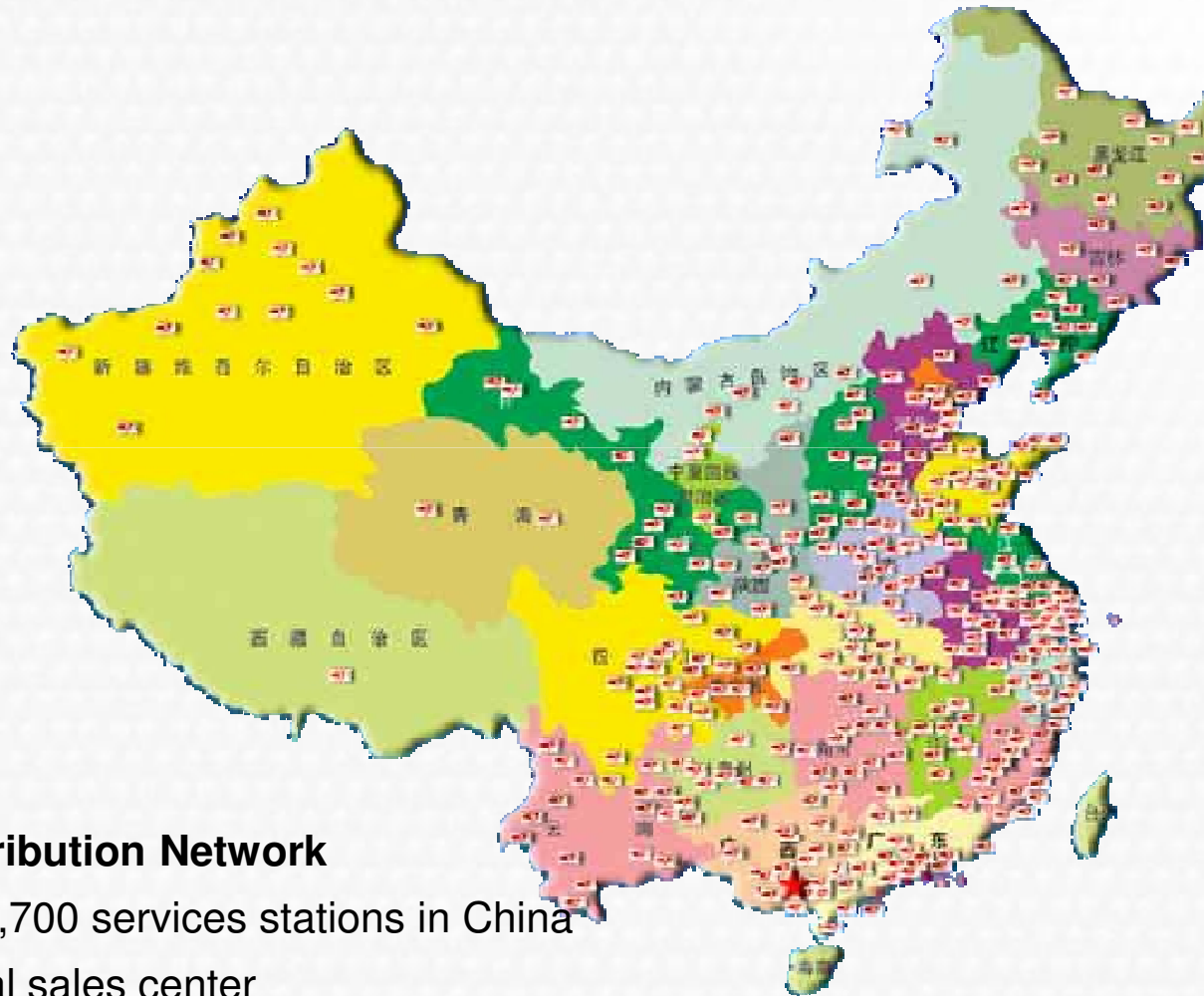
- Strict enforcement of National 4 emission standards nationwide in China on January 1<sup>st</sup> 2015
- China Tier 3 emission standards for off-road machinery will be implemented from April 1<sup>st</sup>, 2016



# China Distribution Network



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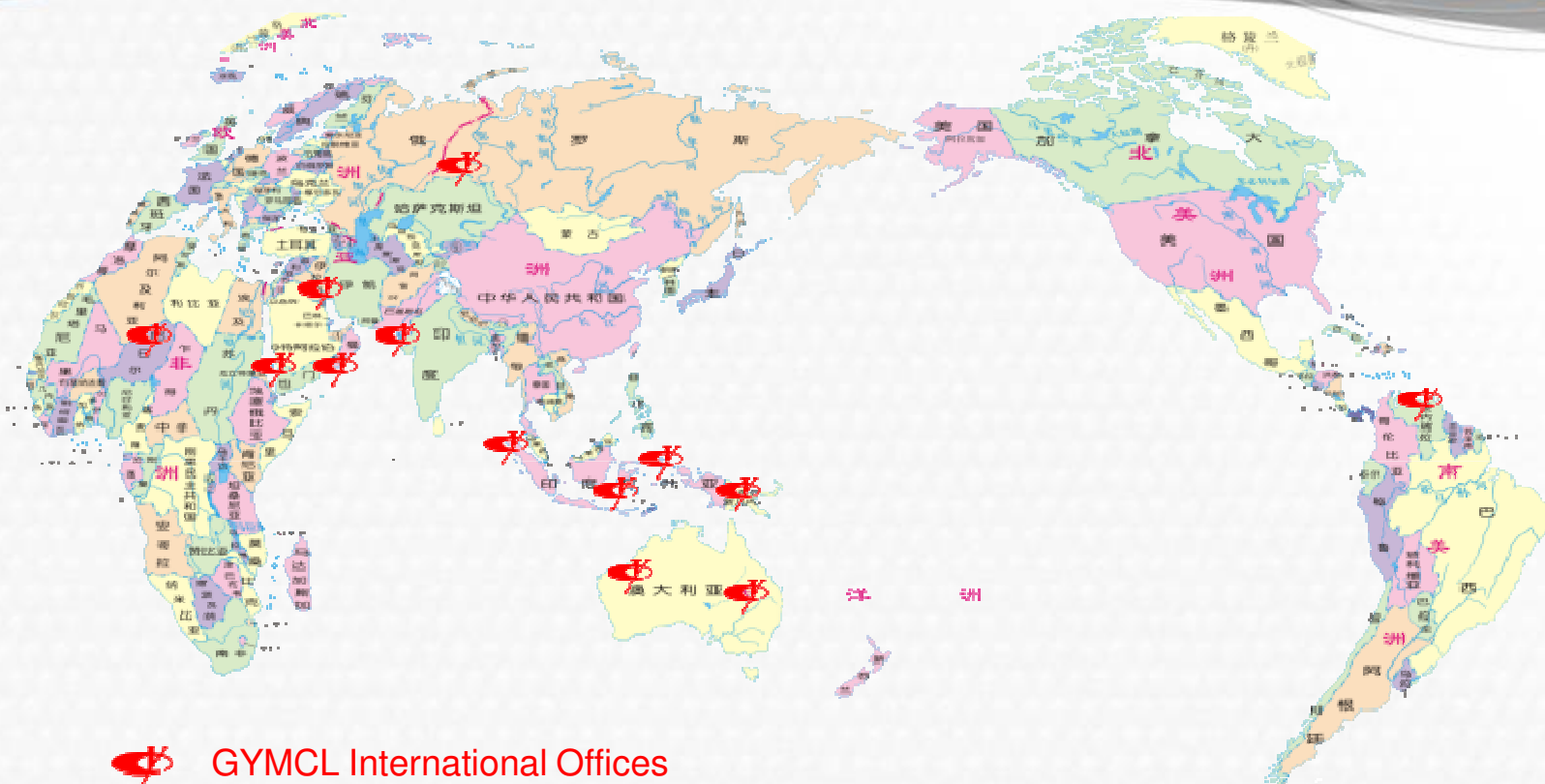
## China Distribution Network

- Close to 2,700 services stations in China
- 33 regional sales center

•As of 31 December 2015



# International Offices



 GYMCL International Offices

## Global Sales and Service Network

- 14 international offices
- 124 authorized overseas service stations

\* As of 31 December 2015



## Green Technology

- **National 6 Emission Standards (Equivalent to Euro VI)**
  - YC6L-60 National 6-compliant Diesel Engines delivered to Beijing Public Transit Fleet in mid-2015
- **National 4/5 Emission Standards (Equivalent to Euro IV/V)**
  - National 5 Diesel Engines in operation in Public Transport Systems in major cities
  - National 5 Gas Engines in operation for both truck and bus applications
  - Over 86% of vehicle engines sold are Nat 4 emission standard or above
- **National Tier 3 Emission Standards for off-road applications**
  - Newly launched Tier 3 Diesel Engines are available for construction, agricultural and power generation markets
- **Hybrid Diesel Power Train**
  - Over 3,000 hybrid systems being used in Public Transport Systems, including GYMCL's self-developed Hybrid power train
  - Second-generation Gas engine plug-in hybrid was commercially launched in mid-2014
- **Natural Gas (CNG, LNG) and LPG engines**
  - Delivered over 22,500 Gas Engines for commercial vehicle application in 2015
  - New Gas Engine Development Center in service since early 2013
  - New Gas Engine testing center was completed and commenced operation in January 2015



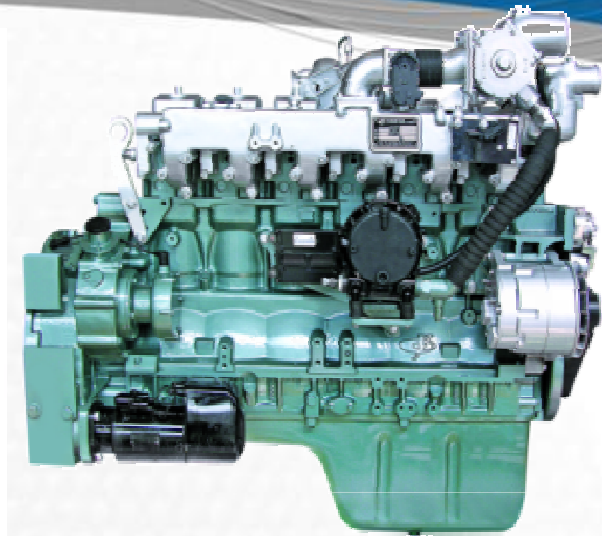
## Gas Engines



GYMCL's YC4G



GYMCL's YC6J



GYMCL's YC6MK

- Central Government promoting the use of natural gas in both truck and bus segments in the 12<sup>th</sup> 5-year plan
- Gas pipeline infrastructure in place to support the nationwide gas distribution, but refueling infrastructure is still under development
- GYMCL launched 7 new gas engine models at the start of 2013, for both on-road and off-road applications, and the heavy-duty YC6K13N in 2014
- New Gas Engine Development Centre in operation since mid-2013, to develop and manufacture full portfolio of gas engines for all applications
- GYMCL sold over 22,500 natural gas engines in 2015

## R&D Leadership

### R&D capability

- ❑ **Approximately 700 engineers including PhDs and Master Degree holders in the R&D team**
- ❑ **Over 1,000 patents have been registered since 2004**
- ❑ **New Nanning R&D Institute commenced operations from October 2013**

### Engine innovations

- ❑ **Mid-2008: Commercially launched National-4 emission standard diesel engines 5 years before standard mandated**
- ❑ **Oct 2010: National 5-compliant engine YC6J was commercially launched for Public Transport (PT) market**
- ❑ **Late-2010: 1<sup>st</sup> hybrid power system launched for PT market with 3,000+ in operation**
- ❑ **Mid-2014: Gas engine plug-in hybrid launched mid-2014 for PT market**
- ❑ **Jan 2015: Commercially launched National (Euro) 6 prototype engine YC6L for Beijing Public Transit Fleet**
- ❑ **May 2015: Self-developed V configured engines 12VC in production for marine and power generation applications**

# Cost & Technology Improvement

## **Lean Manufacturing**

- Promote lean manufacturing across all machining shops, engine assembly plants

## **Gas Engine Development**

- Complete range of gas engines suitable for LNG and CNG gaseous fuels

## **V Configuration for HHP engines**

- Developing the 12VT (33L) and 12VC (80L), 16VC(106L) engines to extend engine power range

## **New Foundry**

- Rejection rate reduced to below 1.0%
- Savings of 5.0% on material costs due to more accurate molten iron measurement and placement

## 2015 Awards & Recognitions

- GYMCL wins *The China Patent Excellence Award* in The 17<sup>th</sup> SIPO Award for Outstanding Patented Invention from The State Intellectual Property Office (SIPO) of the PR China
- YC6K wins the *Fuel Saving Champion Engine* in the 6x4 Trailer class at The 8<sup>th</sup> China International Truck Fuel Saving Competition
- GYMCL wins *The National Advance Enterprise on Quality Inspection Award* from China Association for Quality Inspection
- GYMCL launched the Tier 3 emission-compliant marine engine YC6TD600L-C30, the first Tier 3 marine engine from China
- GYMCL launched Plug-in Hybrid system in bus market
- YC6MK wins *The Best Environmental Technology Award*



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**Business and Finance  
Overview**



# Financial Performance Review



	Y2011	Y2012	Y2013	Y2014	Y2015 Unaudited
<b>Engines sold (units)</b>	<b>510,777</b>	<b>431,350</b>	<b>500,756</b>	<b>483,825</b>	<b>364,567</b>
<b>Revenue (RMB million)</b>	<b>15,444</b>	<b>13,449</b>	<b>15,902</b>	<b>16,436</b>	<b>13,733</b>
<b>EPS (USD per share)</b>	<b>\$3.49</b>	<b>\$2.43</b>	<b>\$3.07</b>	<b>\$3.14</b>	<b>\$1.36</b>

## Sales units:

- **Y2011 @ 510.8K units.**
- **Y2012 @ 431.4K units.**
- **Y2013 @ 500.8K units.** Rebounded due to pre-selling as a result of implementation of NAT4 emission standards from 1<sup>st</sup> July 2013
- **Y2014 @ 483.8K units:** Affected by final nationwide enforcement of NAT 4 (31<sup>st</sup> Dec ember 2014)
- **Y2015 @ 364.6K units.** Declined by 24.6% due to overall economy weakness and slow down of commercial vehicle market

Chart 1: Engine unit sales (Unit)

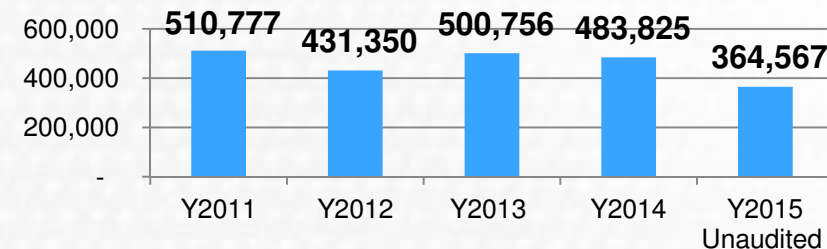


Chart 2: Sales Revenue (RMB million)



## Our product offerings

- Wide variety of engines portfolio
- Continual improvement of engines / emission standards
- Development of natural gas engines
- Increasing sales to off-road markets / agriculture

## We are a leading engine makers.

- Consistently ranked as one of the top engine makers by “China Association of Automobile Manufacturers”



# Financial Performance Review



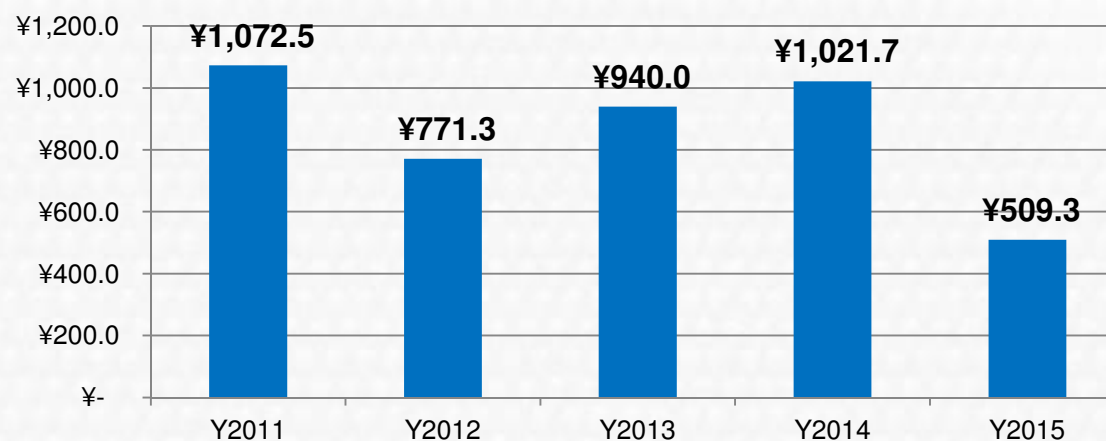
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		Y2011	Y2012	Y2013	Y2014	Y2015 Unaudited
Engines sold	Units	510,777	431,350	500,756	483,825	364,567
Revenue	RMB million	15,444	13,449	15,902	16,436	13,733
Gross Profit	RMB million	3,442	2,880	3,265	3,291	2,791
Operating Profit	RMB million	1,535	1,163	1,402	1,293	805
PAT	RMB million	1,073	771	940	1,022	509
PATMI	RMB million	¥ 818.5	¥ 567.3	¥ 700.4	¥ 730.3	¥ 341.1
PATMI	US\$ million	\$ 129.9	\$ 90.5	\$ 114.9	\$ 119.3	\$ 52.5
EPS	US\$ per share	\$3.49	\$2.43	\$3.07	\$3.14	\$1.36
Return on Equity (%)	%	14.6%	9.9%	11.1%	11.2%	5.4%

## Review of Performance

- We consistently maintain profitability
- Consistent earnings reflect Company's capacity and potential

## PAT, RMB million







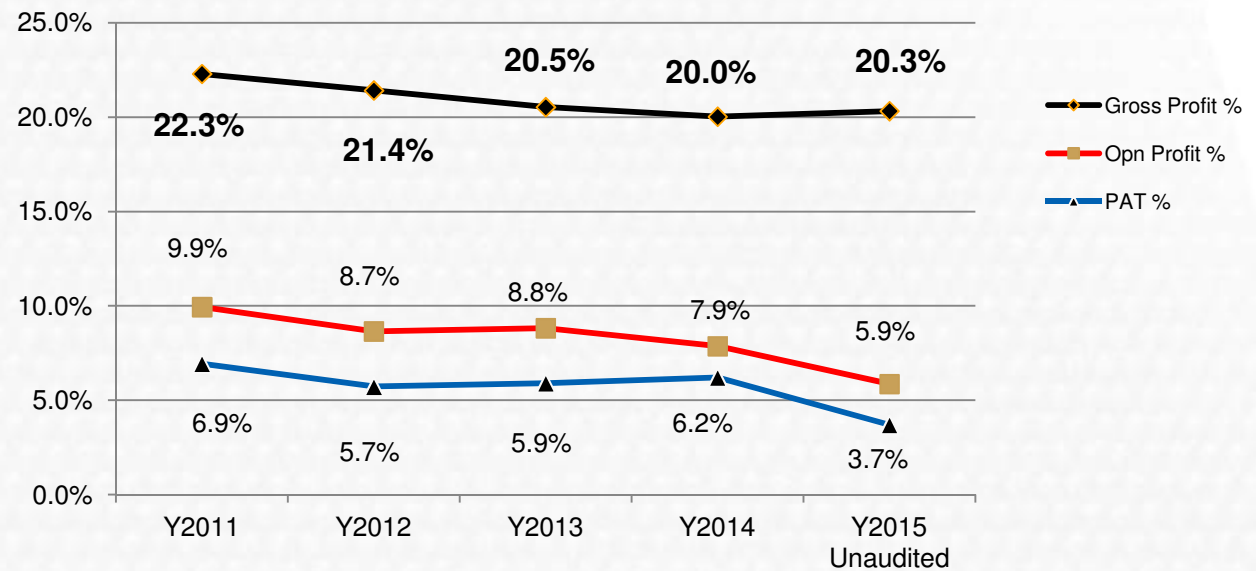
# Financial Indicators Review

Currency: RMB million	Y2011	Y2012	Y2013	Y2014	Y2015 Unaudited
Operating Profit (Ebit)	1,535.1	1,163.5	1,402.4	1,292.6	805.2
Add: Depreciation and amortization	328.8	348.5	388.9	431.3	469.4
EBITDA	1,863.9	1,511.9	1,791.4	1,723.9	1,274.6
Gross Profit %	22.3%	21.4%	20.5%	20.0%	20.3%
Operating Profit %	9.9%	8.7%	8.8%	7.9%	5.9%
PAT %	6.9%	5.7%	5.9%	6.2%	3.7%

**Cash flow:**  
Strong historical cash flow

**EBITDA:**  
RMB 1.3 billion (2015)

**Gross profit margin:**  
Consistent





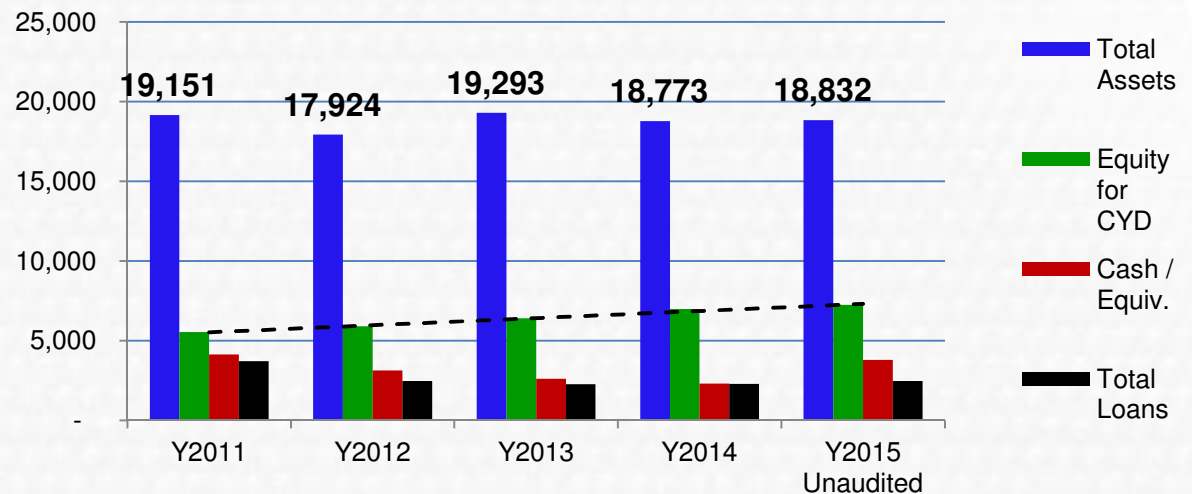
# Balance Sheet Review

Currency: RMB million	Y2011	Y2012	Y2013	Y2014	Y2015 Unaudited
<b>Total Assets</b>	<b>19,151</b>	<b>17,924</b>	<b>19,293</b>	<b>18,773</b>	<b>18,832</b>
<b>Equity for CYD</b>	<b>5,542</b>	<b>5,902</b>	<b>6,392</b>	<b>6,988</b>	<b>7,240</b>
<b>Cash / Equiv.</b>	<b>4,125</b>	<b>3,128</b>	<b>2,597</b>	<b>2,291</b>	<b>3,782<sup>#</sup></b>
<b>Total Loans</b>	<b>3,697</b>	<b>2,451</b>	<b>2,259</b>	<b>2,287</b>	<b>2,456</b>

<b>Gearing Ratio</b>	<b>0.67</b>	<b>0.42</b>	<b>0.35</b>	<b>0.33</b>	<b>0.34</b>
<b>Current Ratio</b>	<b>1.25</b>	<b>1.31</b>	<b>1.47</b>	<b>1.62</b>	<b>1.50</b>
<b>Inventory Turnover days</b>	<b>73</b>	<b>69</b>	<b>67</b>	<b>53</b>	<b>57</b>

## Healthy Balance Sheet

- **Strong cash position**
- **Positive net cash position**
- **Healthy gearing at 34% (Y2015)**
- **Healthy current ratio at 1.50 (Y2015)**
- **Equity grew to RMB 7.2B (Y2015)**



# Per "cash and bank balance" in the Y2015 Q5 earnings press release

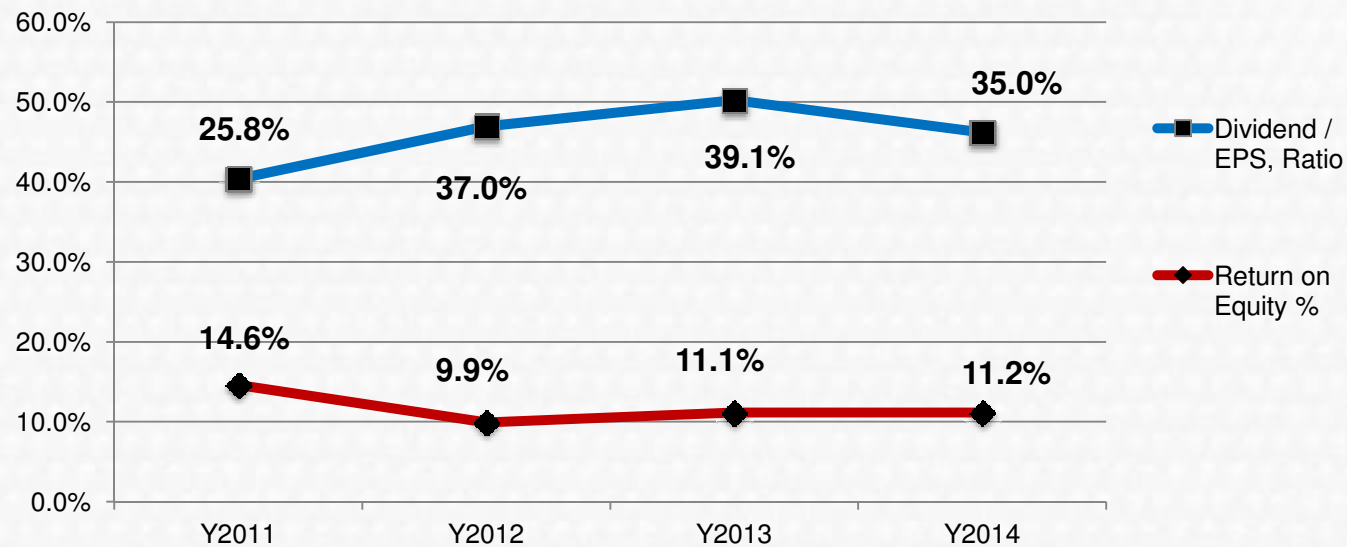


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# Financial Return Review

	Y2011	Y2012	Y2013	Y2014	Y2015 Unaudited
Return on Equity %	14.6%	9.9%	11.1%	11.2%	5.4%
<b>Dividend / EPS, Ratio</b>	<b>25.8%</b>	<b>37.0%</b>	<b>39.1%</b>	<b>34.8%</b>	<b>NA</b>
EPS, US\$ per share	\$3.49	\$2.43	\$3.07	\$3.14	\$1.36
Dividend, US\$ per share	\$0.90	\$0.90	\$1.20 #	\$1.10 #	NA

Note #  
Shareholders can  
elect to receive  
dividend in cash or  
shares





# China Yuchai International [NYSE: CYD]

*Thank You*

